Financial Report

2014 First Quarter

1.

Macroeconomic Environment

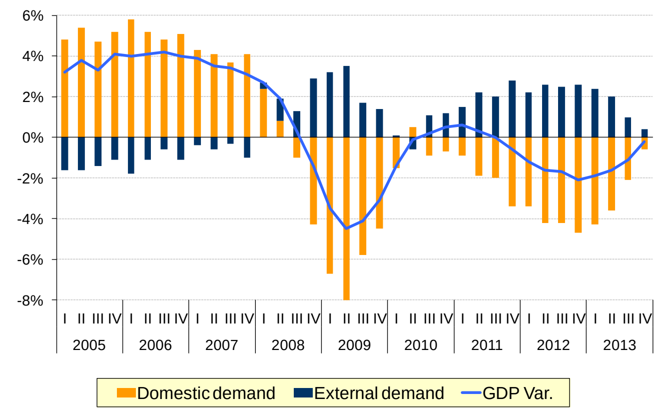
The **world economy** has experienced a 3% growth during 2013, slightly lower than the previous year (3.2%. Source IMF). While the advanced economies have consolidated the recovery path that had begun in the previous financial year, the emerging countries showed a deceleration of their growth rate, demonstrating the existence of structural differences. According to the latest forecasts by the FMI (made in April), the world economy will record a rise of 3.6% in 2014, driven by a better performance in the US economy.

The **Eurozone** closed 2013 with a GDP decline of 0.5%, but forecasts for 2014 and 2015 are notably better, as growth of 1.2% and 1.5% respectively are expected. (Source: IMF April 2014). The published indicators until March provide an outlook for a gradual recovery, as internal demand, particularly referred to investments, shows an evolution better than expected, and the recovery of the peripheral countries is happening earlier than expected. However, some risk factors persist, including low inflation, a high unemployment rate and financial fragmentation.

In **Spain**, the GPD declined 1.2% in 2013 (Source: INE) as a result of the public and private consumption decrease, as well as the gross fixed capital formation. Nevertheless, the QoQ rate for the fourth quarter of 2013 was positive (+0.2%) and this trend remains for the first quarter of 2014. The industrial production index increased 3.1% YoY, being particularly noteworthy the growth in the capital goods manufacturing (6.3%).

GDP and demand contribution

Source: INE



As for the labor market, the recent evolution points that the employment creation has gained dynamism. The number of unemployed workers registered in the Public Employment Services, decreased by a 4.75% YoY, to 4,795,866 unemployed, and the Social Security affiliation grew 0.71% YoY to 16,296,288 affiliates. (Source: Ministry of Employment and Social Security).

The exports of goods and services increased by 4.9% in 2013, while imports were up 0.4% (Source: Ministry of Economy and Competitiveness). Therefore, the trade balance showed, for a second consecutive year, a surplus equivalent to 2.4% of the GDP.

The Public Sector posted a deficit in 2013, after the deduction of the financial aid of 67,755 million euros, 6.62% of the GDP (Source: Ministry of the Finance and Public Administrations). On the positive side, the yield spreads of the Spanish Debt have fallen to historic lows in the Treasury auctions.

The inflation data was -0.1% in March, after a zero inter-annual variation in February (Source: INE). The calendar effect due to the Easter Weekend and a lower growth of the fresh food prices have contributed to this decline. But given that part of the contraction is due to seasonal factors, it is foreseeable that prices will initiate some recovery in the coming months.

The activity of Liberbank takes place mainly in the Autonomous Communities of Principado de Asturias, Cantabria, Castilla La Mancha and Madrid.

House sales recorded in the Association of Registrars during February, corresponding to transactions made in December 2013, show a new drop of 27.6% YoY due to the tax benefits offered at the end of 2012 (Source INE). However the house purchase intention in the first quarter 2014 is increasing.

The activity of Liberbank takes place mainly in the Autonomous Communities of Principado de Asturias, Cantabria, Castilla La Mancha, Extremadura y Madrid

In **Asturias,** the main sectors are services and industry (36% and 19% respectively of the Gross Value Added, 2013 last available data according to INE), while construction has a lower prominence in this region when compared to the rest of the country. The job destruction pace has slowed down in 2013. According to Hispalink estimates, 2014 will be a turning point, since a slight GDP recovery around 0.5% is expected.

The economic in **Cantabria** is mainly aimed at the industry sector (20% of the regional GVA in 2013). Another regional economic driver of the region is external trade, thanks largely to the Port of Santander. As in other northern Autonomous Communities, the level of real estate development exposure was less extensive and the unemployment rate remains below the national average.

In **Castilla La Mancha** the primary sector has traditionally played an important role (6.8% vs. 2.4% in Spain). However, in the last few years, the service sector has gained ground as the new driving force of the region's economy. The relative weight of the construction sector still remains high (9.1% of the regional GVA in 2013). Most of the required adjustments in the number of unsold houses, and pricing, are completed. And the proximity to Madrid is an asset in reducing the still high amount of stock.

The activity of **Extremadura** is characterized by a significant weight of the primary sector (5.4% of the regional GVA in 2013) and the public sector (27.1% of the regional GVA in 2013). Construction and SMEs are the pillars of this economy, which is developing a nascent trade with Portugal. This economy still shows a high level of dependence on the tertiary sector.

The Autonomous Community of **Madrid** has turned into the most dynamic region of Spain, with a cumulative growth above the national average, which has positioned it among the exclusive group of the 25 most prosperous regions in Europe. The region maintains its leadership in foreign investment (55%), which means a total investment of 8,635 million euros, more than twice the investment received by Cataluña, and nine times more than that of País Vasco. Construc tion adjustment seems more advanced than in other regions. The unemployment rate has constantly been lower than the Spanish one, and in the last quarters it is showing a more moderate growth.

The **Spanish financial sector** returned to profits in 2013, after the balance sheet clean ups carried out in 2012. The recurrent incomes declined due to the loan portfolio prices update (linked to Euribor) and the low levels of economic activity, which reduced income due to the risk portfolio deleveraging and lower fees. The Return on Assets (ROA) within the whole system was 0.3% and the Return on Equity was 4.4% (Source: Bank of Spain).

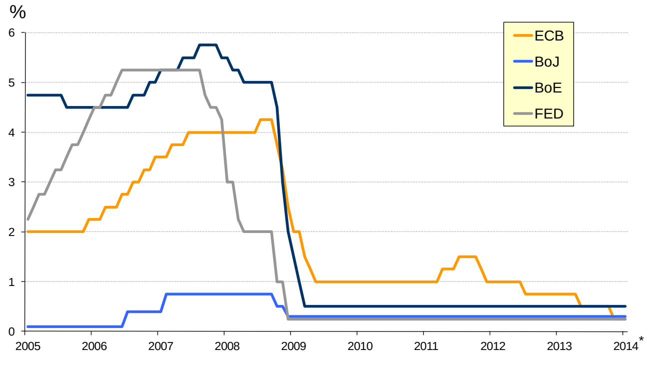
In the early months of 2014, a normalization of write-offs and funding costs was observed, and this will allow the sector to progressively reach profit levels close to capital cost, as the financial income normalizes due to a higher weight of front book.

The deleveraging process of the private sector continues. Household financing in February reached its low level since January 2007, while businesses financing declined 9.6% YoY. On the other hand, retail deposits showed a slight growth of 2.6% YoY in February. (Source: Bank of Spain's Statistical Bulletin).

Non-performing assets moderated their growth rate, and the NPL ratio decreased to 12.8% in February (this was partly due to methodological changes. Source: Bank of Spain).

The **interest rates** remain unchanged. The ECB intervention rate has remained at 0.25% since November, the lowest level in the history of the Euro.

Key Interest Rates
Source: Central Banks



* until January

The ECB anticipated during its March meeting that the inflation will remain low for a long period, and that it will not hesitate to take action in case of intensified deflationary risks.

The European Council and European Parliament have reached an agreement on the creation of the second pillar of the Banking Union: The Single Resolution Mechanism and the Resolution Fund for insolvent banks. This agreement in addition to the single banking supervision, will be carried out by the ECB next November; a key pillar to put an end to the financial fragmentation in the Eurozone.

Regarding the **international stock markets**, their recent evolution was marked by the new geopolitical conflict between

Ukraine and Russia, and the emerging doubts as to China and its financial imbalances. The spread of both above mentioned issues to the international scenario has been rather limited; overall, the developed financial markets have witnessed the advance of the public and private fixed income securities, in contrast to a slight slowdown in equity.

Looking ahead to 2014, the expectations for European and Spanish equities are moderately bullish, supported by a better performance of the macro indicators, low interest rates and the recovery of corporate earnings, together with an improvement of the financial environment as a whole.

2.

Key indicators

Key Indicators

In € Million	1Q 2014	4Q 2013	1Q 2013	% Quarterly change	% Annual change
BALANCE SHEET					
Total Assets	44,830	44,546	47,030	0.6%	-4.7%
Gross Loans	27,853	28,385	30,754	-1.9%	-9.4%
Retail Funds	30,024	29,358	28,830	2.3%	4.1%
Shareholder's Equity	1,619	1,511	1,031	7.1%	57.1%
Total Equity	1,789	1,585	1,126	12.9%	58.9%
Loan to Deposits	96%	97%	108%	-0.9%	-11.9%
PROFIT AND LOSS ACCOUNT					
Net Interest Income	103	415	107		-3.7%
Gross Margin	401	881	200		100.4%
Pre-impairment Income	292	418	65		353.1%
Profit for the period	117	37	31		279.9%
Profit attributable to the Group	113	48	33		238.7%
RISK MANAGEMENT					
Non-performing Loans (NPL)	2,578	2,541	1,981	1.5%	30.2%
Non-performing Loans (NPL) *(including assets protected by the APS)*	6,042	6,043	5,589	0.0%	8.1%
Credit Loss Allowances	1,136	1,082	862	5.0%	31.8%
Credit Loss Allowances *(including assets protected by the APS)*	2,720	2,693	2,514	1.0%	8.2%
Foreclosed Assets *(net, not including APS)*	223	214	161	4.2%	38.3%
Non-performing Ratio	10.7%	10.4%	7.5%	0.3%	3.2%
Non-performing Ratio *(including assets protected by the APS)*	21.7%	21.3%	18.2%	0.4%	3.5%
NPL coverage Ratio	45.0%	44.6%	45.0%	0.5%	0.0%
NPL coverage Ratio APS portfolio *(including foreclosed assets and write-off)*	52.4%	52.5%	55.1%	-0.1%	-2.7%
BANKING BUSINESS AND RESOURCES (Units)					
Employees	5,410	5,456	5,702	-0.8%	-5.1%
FTEs (Liberbank + BCLM)	4,156	4,059	5,208	2.4%	-20.2%
Branches	1,072	1,072	1,158	0.0%	-7.4%
ATMs	1,401	1,403	1,465	-0.1%	-4.4%

Sources: Consolidated Public Finances, Bank of Spain's official statements and Other Internal Information Sources.

APS Asset Protection Scheme, covering a 7,244 million euros original risk portfolio from Banco de Castilla La Mancha.

In accordance with the new account rules since fourth quarter 2013, consolidated information was prepared integrating participated companies using the equity method (instead of the proportional method used before). This affects neither consolidated profit, nor Group's consolidated Total Equity, but results in some not noteworthy differences between the present document information and the information presented in the quarterly accounts.

3.

Financial evolution

Consolidated balance sheet

In € Million	1Q 2014	4Q 2013	1Q 2013	% Quarterly change	% Annual change
Cash and Financial Institutions	438	692	938	-36.6%	-53.3%
Loans	25,371	26,380	28,694	-3.8%	-11.6%
Fixed Income portfolio	13,921	12,433	12,297	12.0%	13.2%
Equity Securities	441	474	776	-6.8%	-43.1%
Financial Derivatives	171	108	173	58.4%	-1.5%
Non current Assets held for sale	1,425	1,366	946	4.4%	50.6%
of which: Foreclosed Assets	1,397	1,337	918	4.5%	52.3%
Investments	316	312	242	1.1%	30.3%
Tangible and intangible fixed Assets	734	747	777	-1.7%	-5.4%
Other Assets	2,013	2,036	2,188	-1.2%	-8.0%
TOTAL ASSETS	**44,830**	**44,546**	**47,030**	**0.6%**	**-4.7%**
Deposits by Credit Institutions and Central Banks	5,465	5,408	5,666	1.1%	-3.6%
Customer Deposits	35,605	34,941	35,808	1.9%	-0.6%
Bonds and Promissory Notes	680	1,345	2,244	-49.4%	-69.7%
Subordinated Debt Securities	454	450	982	0.9%	-53.8%
Other Financial Liabilities	217	214	333	1.1%	-35.0%
Financial Derivatives	49	85	60	-41.9%	-17.0%
Other Liabilities	571	519	811	10.0%	-29.6%
TOTAL LIABILITIES	**43,041**	**42,962**	**45,904**	**0.2%**	**-6.2%**
Capital and Reserves	1,506	1,463	997	2.9%	51.0%
Attributable Net Profit	113	48	33	135.2%	238.7%
Valuation Adjustments	68	-20	-9	-434.2%	-820.3%
Minority Interest	103	94	105	9.6%	-1.7%
TOTAL EQUITY	**1,789**	**1,585**	**1,126**	**12.9%**	**58.9%**
TOTAL EQUITY AND LIABILITIES	**44,830**	**44,546**	**47,030**	**0.6%**	**-4.7%**

In the first quarter of 2014 loans continue to decline, as demand remains weak and it can´t compensate the portfolio amortization, due to the natural evolution of the portfolio.

The main investment is still fixed-income securities, which grew with the purchase of public debt.

The customer’s deposits show a moderate growth (1.90% QoQ), concentrated in Public Sector deposits. The retail funds, which are the main funding source of the Bank, remain stable; they show a slight increase of +6 million Euros, as opposed to previous quarters (-250 million Euros in 1Q 2013, and -551 million Euros in 1Q 2012).

This evolution of retail deposits and loans has enabled a noticeable improvement of the loan-to-deposits ratio, which decreased to 96%.

Another financing positive issue is the Government guaranteed debt (Bonds) maturing during the first quarter, which has contributed to decrease funding costs and the dependency on the capital markets.

In the YoY Balance Sheet comparison, the total equity rose noticeably, 54%, after the hybrid instruments and subordinated liabilities exchange in April 2013, which entailed the generation of 514 million euros of Shareholder’s equity.

Another significant variation in the YoY comparison is due to equity divestments, which have contributed to reduce risk weighted assets and generate capital gains. Most of these divestments have taken place during 2013, highlighting the sale of 5% of Ence.

Finally, the net income attributable to the Group amounts to 113 million euros, driven by capital gains on fixed-income portfolio divestments.

Resources

In € Million	1Q 2014	4Q 2013	1Q 2013	% Quarterly change	% Annual change
RETAIL FUNDS	**30,024**	**29,358**	*** 28,830**	**2.3%**	**4.1%**
RETAIL FUNDS ON BALANCE SHEET	**25,899**	**25,452**	**24,961**	**1.8%**	**3.8%**
Public Administrations	1,785	1,072	957	66.6%	86.6%
Retail customer funds (residents)	23,765	24,031	23,590	-1.1%	0.7%
Demand Deposits	11,304	11,558	11,469	-2.2%	-1.4%
Term Deposits	12,102	12,162	11,768	-0.5%	2.8%
Others (promissory notes and repurchase agreements)	359	311	354	15.3%	1.4%
Retail customer funds (nonresidents)	349	350	413	-0.3%	-15.6%
OFF-BALANCE SHEET RETAIL FUNDS	**4,125**	**3,905**	**3,870**	**5.6%**	**6.6%**
Mutual Funds	1,450	1,225	1,270	18.4%	14.2%
Pension Funds	1,590	1,560	1,547	1.9%	2.8%
Savings Insurance	1,084	1,121	1,052	-3.2%	3.0%
WHOLESALE FUNDS (capital markets)	**7,444**	**7,942**	**9,186**	**-6.3%**	**-19.0%**
Covered Bonds (unretained)	6,826	6,706	7,139	1.8%	-4.4%
Bonds and EMTNs	447	1,053	1,928	-57.5%	-76.8%
Wholesale Promissory Notes	170	182	120	-6.5%	42.3%
TOTAL FUNDS	**37,468**	**37,299**	**38,017**	**0.5%**	**-1.4%**

** Excluding the subordinated instruments subject to the Subordinated Liability Exercise during 2013*

Sources: Bank of Spain's Official Statements and Other Internal Information Sources. On-balance covered bonds are not included.

The retail funds show at the end of this quarter a YoY growth of 2.3%.

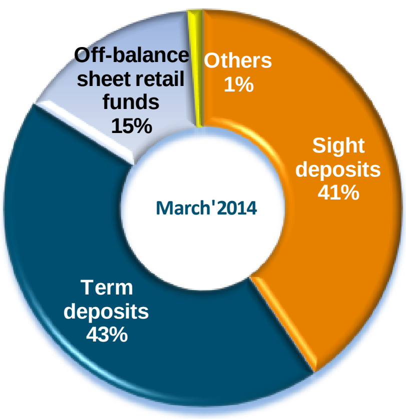
Sight deposits decrease by 2.2% QoQ, mainly due to seasonal patterns.

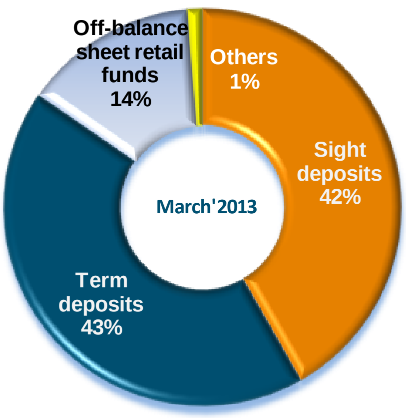
Term deposits remain without noticeable changes (-0.5% QoQ), despite front book low prices.

The performance of the mutual funds was especially positive, with an annual growth of 18.4% (225 million euros in the first quarter). The positive evolution of markets and a lower risk aversion, in addition to a substantial commercial drive, have permitted the promotion of this kind of products, with a satisfactory commercial response.

Following the Group’s strategy, wholesale funding fell this year by 6.3%, thus reducing the dependency on capital markets.

Retail resources (Private residents)





Gross loans

In € Million	1Q 2014	4Q 2013	1Q 2013	% Quarterly change	% Annual change
LOANS	**27,853**	**28,385**	**30,754**	**-1.9%**	**-9.4%**
of which: APS Assets	3,848	3,932	4,341	-2.1%	-11.4%
NON APS LOANS	**24,004**	**24,452**	**26,413**	**-1.8%**	**-9.1%**

Non APS Gross loans

In € Million	1Q 2014	4Q 2013	1Q 2013	% Quarterly change	% Annual change
CREDIT TO PUBLIC ADMINISTRATIONS	**1,360**	**1,339**	**1,699**	**1.6%**	**-19.9%**
CREDIT TO PRIVATE SECTORS	**22,644**	**23,113**	**24,714**	**-2.0%**	**-8.4%**
Productive activity financing	6,298	6,525	7,296	-3.5%	-13.7%
Developers	535	553	592	-3.2%	-9.5%
Civil works	295	306	379	-3.3%	-22.0%
Other companies	5,467	5,666	6,326	-3.5%	-13.6%
Individual financing	16,010	16,272	17,080	-1.6%	-6.3%
Housing purchases and rehabilitation	15,304	15,519	16,214	-1.4%	-5.6%
Consumer Financing and others	705	754	866	-6.4%	-18.5%
Demand debtors and others	336	316	337	6.4%	-0.3%
LOANS	**24,004**	**24,452**	**26,413**	**-1.8%**	**-9.1%**
of which: Non Performing Loans	2,578	2,541	1,981	1.5%	30.2%

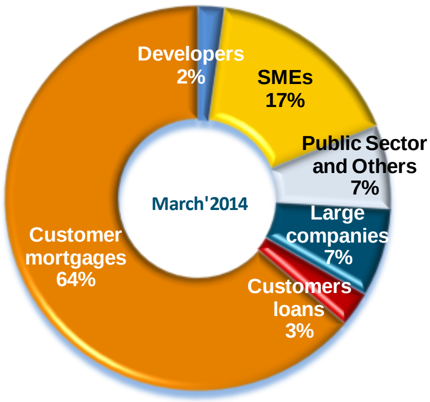
Sources: Bank of Spain's Official Statements and other Internal Information Sources.

The risk profile of the non-APS risk portfolio is low, with a high concentration in individual financing (circa 70%), and a residual weight of real estate development sector (only 2% of the gross lending).

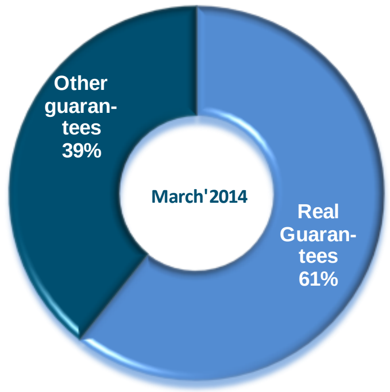
Credit decreases year to date by 1.8%, due to the general deleveraging of households and companies, in line with the financing sector (-1.9% Source: Bank of Spain). Throughout the year, 8,527 lending operations were formalized, totalling 408 million euros.

The SMEs financing increased by 37%, which is one of the strategic objectives of the present financial year.

Non APS gross loans private sector breakdown



Non APS gross loans private sector guarantee breakdown



Non performing loans

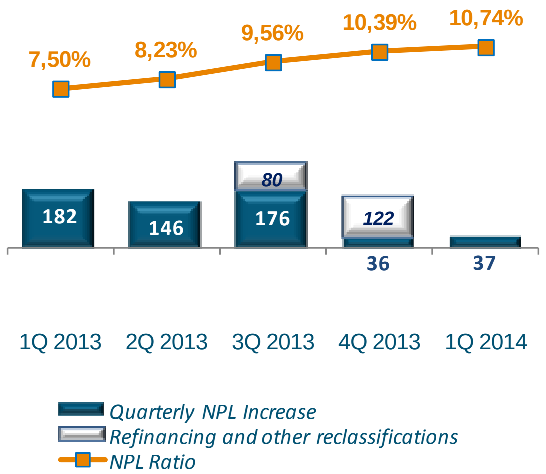
In € Million	1Q 2014	4Q 2013	1Q 2013	% Quarterly change	% Annual change
Liberbank excluding APS	2,578	2,541	1,981	1.5%	30.2%
APS	3,464	3,502	3,608	-1.1%	-4.0%
TOTAL	**6,042**	**6,043**	**5,589**	**0.0%**	**8.1%**

Credit Risk Analysis (excluding APS)

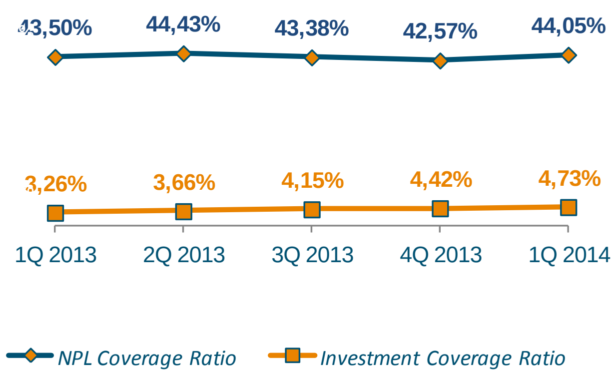
	NPL		NPL Ratio		Coverage Ratio	
In € Million	Mar'14	Annual ch.	Mar'14	Annual ch.	Mar'14	Annual ch.
PRODUCTIVE ACTIVITY FINANCING	**1,686**	**7**	**26.8%**	**1.0%**	**53.3%**	**3.0%**
Real Estate development	276	-5	51.6%	0.8%	63.2%	1.2%
Civil works	156	-4	52.8%	0.5%	83.0%	7.5%
Other companies	1,253	16	22.9%	1.1%	47.3%	3.1%
INDIVIDUAL FINANCING	**873**	**30**	**5.5%**	**0.4%**	**27.5%**	**-0.8%**
Housing purchase and rehabilitation	820	40	5.4%	0.3%	24.8%	1.1%
Consumer Financing and others	52	-10	7.4%	1.7%	70.0%	-17.1%
DEMAND DEBTORS AND OTHER RISKS	**20**	**0**	**1.2%**	**-0.3%**		
TOTAL CREDIT TO OTHER SECTORS	**2,578**	**37**	**10.7%**	**0.3%**	**44.0%**	**1.5%**

Sources: Bank of Spain's Official Statements and other Internal Information Sources.

NPL ratio and quarterly NPL increase (excluding APS)



Risk coverage ratio of NPL and gross loans (excluding APS)



The growth rate of the Non-performing loans continued to slowdown (37 million euros in the first quarter, compared to a quarterly average of 135 million euros in 2013, excluding extraordinary refinancings). The NPL ratio (ex APS) is 10.74%, below the banking sector average (12.8% in February. Source: Bank of Spain).

Individual financing risks, which represent the largest part of the portfolio, maintain an NPL ratio of 5.5%.

The risk coverage level stands at 44.05%, and it is affected by the high weight of the mortgage portfolio, which considering guarantees, requires a lower level of provisioning.

The APS portfolio goes up to 3,464 million euros (including loans and credits), and it has a total risk coverage of 45.74%.

Profit and loss account

In € Million	1Q 2014	1Q 2013	% Annual change
Financial income	244	291	-16.2%
Financial expenses	141	184	-23.4%
NET INTEREST INCOME	**103**	**107**	**-3.7%**
Dividends	0	4	-93.8%
Results from equity method stakes	5	1	357.5%
Net fees	50	74	-31.9%
Gains (losses) on Financial Assets and Liabilities	259	17	
Other operating results	-17	-3	494.5%
GROSS MARGIN	**401**	**200**	**100.4%**
Administrative costs	94	124	-24.3%
Staff costs*	58	85	-31.8%
Other general administrative costs	36	39	-8.2%
Amortizations	10	11	-8.9%
PRE-IMPAIRMENT INCOME	**297**	**65**	**359.7%**
Provisions *	10	0	
Impairment losses on financial assets (net)	114	64	78.0%
Impairment losses on other assets (net)	0	16	-100.0%
Other profits or losses	-7	37	-119.9%
PRE-TAX INCOME	**164**	**21**	**672.8%**
Income tax	47	-10	-593.7%
CONSOLIDATED NET PROFIT	**117**	**31**	**279.9%**
ATTRIBUTABLE NET PROFIT	**113**	**33**	**238.7%**

(*) Staff costs includes indemnities due to additional voluntary redundancies than those laid out in the Restructuring Plan and also lower costs due to decommitments of Early Retirement funds, (registered as "Provisions").

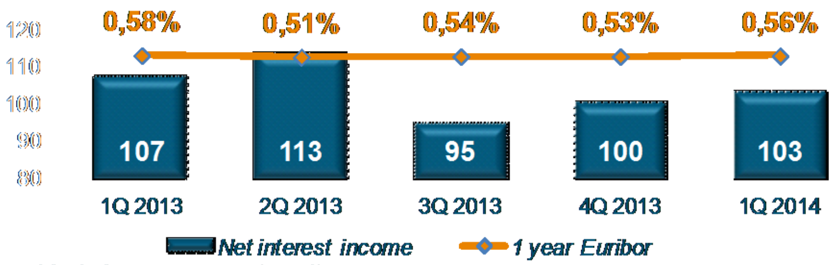
Source: Profit and loss account.

Income Statement Quarterly Evolution

In € Million	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Financial income	291	277	263	257	244
Financial expenses	184	164	168	157	141
NET INTEREST INCOME	**107**	**113**	**95**	**100**	**103**
Dividends	4	2	3	0	0
Results from equity method stakes	1	15	6	16	5
Net fees	74	40	44	57	50
Gains (losses) on Financial Assets and Liabilities	17	115	31	84	259
Other operating results	-3	-6	-5	-28	-17
GROSS MARGIN	**200**	**278**	**172**	**231**	**401**
Administrative costs	124	111	100	87	94
Staff costs	85	71	61	56	58
Administrative costs	39	40	39	31	36
Amortizations	11	11	10	9	10
PRE-IMPAIRMENT INCOME	**65**	**156**	**62**	**135**	**297**
Provisions	0	5	10	-40	10
Impairment losses on financial assets (net)	64	126	112	163	114
Impairment losses on other assets (net)	16	-16	2	-1	0
Other gains or losses	37	-28	-18	24	-7
PRE-TAX INCOME	**21**	**12**	**-80**	**37**	**164**
Income tax	-10	-10	-34	7	47
CONSOLIDATED NET PROFIT	**31**	**22**	**-46**	**30**	**117**
ATTRIBUTABLE NET PROFIT	**33**	**18**	**-37**	**34**	**113**

Quarterly contribution to the net interest income

In € Million	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Financial income	291	277	263	257	244
Financial expenses	184	164	168	157	141
NET INTEREST INCOME	**107**	**113 ***	**95**	**100**	**103**



** Includes non-recurrent results*

The quarterly Net Interest Income is growing since the third quarter of 2013, as a result of the interest rate drop impact on the financial income which bottomed out at that point. At the same time, financial expenses decreased, supported by an adequate commercial management of term deposits prices.

The wholesale business contribution to the net interest margin has decreased in the last quarter as a consequence of the fixed-income portfolio rearrangement, which produced a 235 million Euros profit on financial operations.

	1Q 2013			2Q 2013			3Q 2013			4Q 2013			1Q 2014		
	Aver.bal.	Rate	FI/FE	Aver.bal.	Rate	FI/FE	Aver.bal.	Rate	FI/FE	Aver.bal.	Rate	FI/FE	Aver.bal.	Rate	FI/FE
Retail FI	**33,132**	**2.54**	**210**	**31,507**	**2.27**	**178**	**30,509**	**2.19**	**167**	**29,645**	**2.22**	**165**	**28,119**	**2.26**	**159**
of which: performing	*26,562*	*3.04*	*202*	*25,359*	*2.73*	*173*	*24,294*	*2.64*	*160*	*23,426*	*2.69*	*158*	*22,076*	*2.72*	*150*
Retail FE	**24,649**	**1.43**	**88**	**25,151**	**1.34**	**85**	**25,130**	**1.28**	**81**	**25,603**	**1.25**	**80**	**25,065**	**1.17**	**73**
Sight	11,517	0.15	4	11,764	0.15	4	11,692	0.11	3	11,808	0.12	4	11,431	0.10	3
Terms	12,284	2.61	80	12,269	2.50	77	12,418	2.40	75	12,710	2.22	71	12,481	2.15	67
Others	848	1.62	3	1,118	1.21	3	1,020	1.10	3	1,085	2.20	6	1,153	1.30	4
Wholesale FI	**10,907**	**2.87**	**78**	**12,885**	**2.89**	**93**	**13,315**	**2.86**	**95**	**13,446**	**2.76**	**93**	**13,767**	**2.47**	**85**
of which: fixed income	*10,169*	*2.98*	*76*	*12,200*	*2.97*	*91*	*12,721*	*2.93*	*93*	*12,513*	*2.93*	*92*	*13,169*	*2.54*	*84*
Wholesale FE	**18,477**	**1.94**	**90**	**18,231**	**1.83**	**83**	**17,707**	**1.91**	**84**	**16,588**	**1.79**	**74**	**15,853**	**1.63**	**64**
Financial Institutions	6,366	0.81	13	6,969	0.51	9	6,698	0.62	10	6,594	0.46	8	6,497	0.34	5
Repos PS y PA	276	2.23	2	258	3.04	2	331	2.39	2	330	2.37	2	518	0.80	1
Covered bonds	8,615	2.28	49	8,394	2.21	46	8,402	2.20	46	7,770	2.26	44	7,384	2.25	42
Bonds and others	3,220	3.23	26	2,610	4.01	26	2,276	4.56	26	1,894	4.44	21	1,454	4.52	16
Other FI & FE			**-4**			**9**			**-3**			**-3**			**-3**

PS: Private Sectors; PA: Public Administrations; FE: Financial Expenses; FI: Financial Income

The average financial income from performing loans are increasing since the third quarter of 2013.

Retail funding costs, as well as Wholesales expenses, are decreasing due to amortizations and repurchases, following the hedging swaps booked over the covered bonds portfolio.

FEES

In € Million	1Q-13	2Q-13	3Q-13	4Q-13	1Q-14	% Annual change
FEES RECEIVED	**82**	**47**	**51**	**70**	**53**	**-35.5%**
Contingent liabilities	3	2	2	2	2	-37.3%
Contingent commitments	1	1	1	1	1	-8.1%
Foreign exchange	0	0	0	0	0	-43.1%
Collections and payments	23	23	24	23	22	-4.2%
Securities services	3	1	2	14	1	-49.3%
Non banking financial products	40	8	9	23	12	-71.0%
Others	13	12	12	8	15	23.5%
PAYED FEES	**8**	**7**	**7**	**13**	**3**	**-68.7%**
NET FEES	**74**	**40**	**44**	**57**	**50**	**-31.9%**

Source: Profit and loss account and own preparation

Net **fees** total 50 million euros, which represents a decrease of -31.9% YoY, affected by non-recurrent items in the first quarter of 2013, arising under the agreement of exclusive distribution of general insurance products with CASER. Excluding the latter and other non-recurrent fees (of less significant amount), net fees income rose 3.9%.

The investments in various companies added a profit (both **dividends and results of entities accounted for using the equity method**) of 5 million euros, similar to the previous year.

Net **gains on financial assets** amounted to 259 million euro, arising from the sale of fixed income securities and equity stakes.

Staff and general costs absorb 23% of the Group's gross margin and decline 24.3%, as a result of labor adjustment measures, which will reduce labor costs by 25% (YoY base), helping to improve the Group's efficiency.

Impairments amount to 114 million euros and include voluntary impairments of prudential nature to give stability to future results.

The **Attributable Net Profit** amounts to 113 million euros.

Solvency

In € Million	Dec'13	Dec' 12	% Annual change
CORE CAPITAL	**1,776**	**954**	**86.2%**
Core Capital (%)	10.4%	4.6%	5.8%
TIER 1	**1,777**	**1,073**	**65.6%**
Total TIER 1 (%)	10.4%	5.2%	5.2%
TOTAL CAPITAL	**1,777**	**1,616**	**9.9%**
Solvency ratio(%)	10.4%	7.8%	2.6%
RISK WEIGHTED ASSETS	**17,098**	**20,717**	**-17.5%**

The January 1, 2014 came into force new regulations on minimum capital requirements of financial institutions according to Basel III. On 17 April, the European Banking Authority (EBA) announced the deferral of the first data transmission corresponding to the supervisory reporting, until June 30, to prevent entities undertake such reporting without Implementing Technical Standards (ITS) have entered into force.

Based on the best available information, the Group estimates that CET 1 Common Equity Tier 1 at March 2014, would amount to 9.4% (minimum regulatory level of 4.5%), a Capital Level 1 of 10.4% (minimum regulatory level of 6%) and a Total Capital ratio of 10.4% (minimum regulatory level of 8%).

Liberbank share price closed the first quarter at EUR 0.90 per share, an increase of 25% compared to December 2013 and an increase of 125% above the fixed price in the Sales Facility (EUR 0.40 per share). The average volume of daily trading is about 4.8 million shares. At the end of the year, Liberbank's market cap amounted to 1,299 million Euros.

Regarding the shareholding structure at the end of the quarter, CajAstur owns 45.72% of the shares, Caja Extremadura owns 13.85% and Caja Cantabria owns 9.70% of Liberbank shares.

Market information	**1Q 2014**
Number of shares outstanding	1.443.583.076
Daily average trading (shares number)	4.847.628
Daily average trading (euros)	4.112.190
Maximum Share price (euros)	0.900
Minimum Share price (euros)	0.760
Price at year end (euros)	0.900
Market capitalization at year end (millions of €)	1,299

Relevant events subsequent to the quarter-end

Second period for voluntary conversion open to Debenture-holders

As scheduled, April 16th of 2014 was the final date of the second period for voluntary conversion open to Debenture-holders, and there were requests equivalent to 6,185,739 titles with a nominal value of 10€ per bond, which totaled 62 million euros of Shareholder's Equity.

On the basis of the arithmetic mean of the average weighted prices of the Company's shares, and applying the maximum and minimum limits expected for their emission, 71,954,049 new shares were issued, representing 4.9844% of the capital stock of the Entity.

The number of diluted shares at the end of the third quarter, considering conversion in April 2014 is as follows:

	Outstanding Amount (Eur m)	Interest Rate	Min Strike	# shares (1)
Serie A	62	5.0%	3.9	16
Serie B	13	5.0%	2.6	5
Serie C	174	7.0%	0.5	179
TOTAL	**249**			**200**
Outstanding shares (million) (2)				**1,516**
Fully diluted shares (million) (2)				**1,716**

(1) Assuming a share price of € 0.97 as of 9th of May14
(2) Figures include the voluntary conversion of CoCos in Apr14

Capital Increase

The Annual General Meeting was held on April 29th, approving amongst others a Share Capital Increase by up to two hundred seventy million euros (270 million euros) issuing nine hundred million shares (900 millions) with a nominal value of 0.30 € per share, and with a share premium determined by the Board of Directors, which will be subscribed and redeemed entirely through cash contributions.

The current shareholders will have pre-emptive subscription rights, thus giving them the option to avoid dilution.

The capital increase will allow the incorporation of new investors, improving the issue's liquidity and a more efficient functioning of the stock market, while also strengthening Liberbank's business project.